

C I R C U L A R L E T T E R

To

ALL COMMERCIAL BANKS AND INTERMEDIARIES

Subject: Open Market Operation

In relation to the stipulation of Bank Indonesia Regulation Number 12/11/PBI/2010 dated July 2, 2010 concerning Monetary Operations (State Gazette of the Republic of Indonesia Year 2010 Number 84, Supplement to State Gazette of the Republic of Indonesia Number 5141), it is necessary to stipulate provisions on the implementation of Open Market Operation in a Bank Indonesia Circular Letter, as follows:

I. GENERAL PROVISIONS

Referred to in this Bank Indonesia Circular Letter as:

1. Monetary Operation shall be the implementation of monetary policies by Bank Indonesia in the context of monetary management through Open Market Operation and Standing Facilities.
2. Open Market Operation, hereinafter briefly referred to as OMO, shall be transactions in the money market conducted by Bank Indonesia with Banks and/or other parties in the context of Monetary Operations.

3. OMO Participants shall be Banks meeting the requirements as a Monetary Operation participant as referred to in Bank Indonesia provisions concerning the criteria and requirements for Securities, Participant and Intermediary in Monetary Operation.
4. Bank shall be Commercial Bank as referred to in the applicable Act concerning Banking which conducts conventional business activities.
5. Intermediaries shall be rupiah and foreign exchange money marketbrokers, and capital market brokers appointed by the Minister of Finance of the Republic of Indonesia as the main dealers as referred to in Bank Indonesia provisions concerning the criteria and requirements for Securities, Participant, and Intermediary in Monetary Operation.
6. Securities shall be Bank Indonesia Certificate and Sovereign Securities used in OMO transactions as referred to in Bank Indonesia provisions concerning the criteria and requirements for Securities, Participant, and Intermediary in Monetary Operation.
7. Bank Indonesia Certificate, hereinafter referred to as SBI, shall be securities in rupiah currency issued by Bank Indonesia as acknowledgement of short-term indebtedness.
8. Sovereign Securities, hereinafter briefly referred to as SBN, shall be Sovereign Debt Securities and Sovereign Syariah Securities.
9. Sovereign Debt Securities, hereinafter briefly referred to as SUN, shall be securities in the form of acknowledgement of indebtedness in rupiah currency or foreign currency, the payments of the interest and

principal of which are guaranteed by the Government of the Republic of Indonesia, in accordance with the validity tenure thereof, as referred to in the applicable Act.

10. Sovereign Syariah Securities, hereinafter briefly referred to as SBSN, or may be referred to as Sovereign Sukuk, shall be SBN issued based on the sharia principles, either in rupiah currency and foreign currency, as proof of participation in SBSN assets as referred to in the applicable Act.
11. Government Bond shall be the SUN with more than 12 (twelve) month-tenure with coupons and/or with discount-based interest payment.
12. Government Treasury Bills, hereinafter briefly referred to as SPN, shall be SUN with up to 12 (twelve) month-tenure, with discount-based interest payment.
13. Zero Coupon Bond, hereinafter referred to as ZCB, shall be Government Bond without any coupon with discount-based interest payment.
14. Retail Government Bond, hereinafter briefly referred to as ORI, shall be Government Bond which in the primary market is sold to individuals or natural person of Indonesian Citizen.
15. Repurchase Agreement Transaction, hereinafter referred to as repo transaction, shall be a Securities sale transaction by an OMO Participant to Bank Indonesia, with a repurchase obligation by the OMO Participant according to the agreed price and tenure.

16. Reverse Repo shall be a Securities sale transaction by an OMO Participant from Bank Indonesia, with a resale obligation by the OMO Participant according to the agreed price and tenure.
17. Term Deposit shall be the placement of rupiah funds of OMO Participants for a certain period of time with Bank Indonesia.
18. Outright Transaction shall be transaction on the sale and purchase of Securities by OMO Participants from Bank Indonesia in an outright manner without any sale and repurchase obligations by the OMO Participants.
19. Demand Deposit Account shall be a rupiah demand deposit account of an OMO Participant with Bank Indonesia.
20. Securities Account shall be the Securities account of an OMO Participant recorded in the active trading account in Bank Indonesia - Scripless Securities Settlement System.
21. Sub-Registry shall be Bank and institution conducting custodian activities which meet the requirements and are approved by Bank Indonesia to perform the function of Securities administrator on behalf of customers.
22. Bank Indonesia-Scripless Securities Settlement System, hereinafter referred to as BI-SSSS, shall be a system that provides transactions facilities with Bank Indonesia, including the administration thereof and the electronic administration of securities connected directly among participants, operator and the Bank Indonesia-Real Time Gross Settlement system.

23. Bank Indonesia-Real Time Gross Settlement system, hereinafter referred to as BI-RTGS system, shall be an electronic fund transfer system among the participants of BI-RTGS system in rupiah currency, the settlement of which is conducted in a real time manner per individual transaction.
24. Commercial Bank Daily Reporting System, hereinafter briefly referred to as LHBUS system, shall be a facility for Banks' reporting to Bank Indonesia on a daily basis, including the provision of money market information and announcements from Bank Indonesia.

II. THE ISSUANCE OF SBI

1. The Issuance of SBI constitutes an instrument used by Bank Indonesia for the absorption of rupiah liquidity in the money market.
2. SBI shall have the following characteristics:
 - a. having a unit in the amount of Rp1,000,000.00 (one million rupiah);
 - b. having minimum tenure of 1 (one) month and maximum tenure of 12 (twelve) months stated in the number of days as from 1 (one) day after the settlement date up to the maturity date;

An example of SBI tenure calculation is presented in Appendix 1.
 - c. issued and traded by using a discount system;
 - d. issued in a scripless manner and administered in BI-SSSS;

- e. the cash value of SBI is calculated based on true discount with the following formula:

$$\text{Cash Value} = \frac{\text{Nominal Value} \times 360}{360 + (\text{Discount Rate} \times \text{Tenure})}$$

Discount value = Nominal Value – Cash Value

An example of SBI discount value and cash value is presented in Appendix 2.

- f. negotiable;
 - g. they can be transacted by way of conditional sale (repurchase agreement), outright purchase or sale or can be pledged;
 - h. SBI with the pledge status cannot be traded;
 - i. To be repaid on the maturity date in the nominal value of the matured SBI; and
 - j. Bank Indonesia may settle the SBI before maturity (early redemption) upon the approval of SBI holders.
3. SBI Auction Transaction Method
- a. SBI shall be issued using an auction mechanism through BI-SSSS.
 - b. The SBI auction mechanism shall be implemented by applying the following method:
 - 1) fixed rate tender

SBI auction discount rate shall be stipulated by Bank Indonesia; or
 - 2) variable rate tender

SBI auction discount rate shall be proposed by OMO participants.

4. Announcement and implementation of SBI auction
 - a. SBI auction shall be conducted on Wednesdays and/or another business day as stipulated by Bank Indonesia.
 - b. The Window Time of SBI auction shall be as from 12.00 Western Indonesia Time (WIB) up to 14.00 Western Indonesia Time (WIB), or at such other times as determined.
 - c. Bank Indonesia shall announce SBI auction plans and any changes thereto by no later than 1 (one) business day before the implementation of SBI auction through BI-SSSS, LHBU-system and/or other facilities.
 - d. The announcement of SBI auction plans shall include, among other things:
 - 1) auction date;
 - 2) SBI tenure;
 - 3) auction method;
 - 4) indicative target (if the auction is conducted by using the variable rate tender method);
 - 5) SBI discount rate (if the auction is conducted by using the fixed rate tender method);
 - 6) window time; and
 - 7) time and date of settlement.
5. Submission of Bid for SBI Auction

- a. OMO Participants may submit bid for SBI auction directly and/or through an Intermediary.
- b. The Intermediary shall submit the bid for SBI auction for the interest of OMO participants.
- c. OMO Participants shall, directly and/or through an Intermediary, submit the bid for SBI auction to Bank Indonesia through BI- SSSS at the determined window time.
- d. The submission of Bid for SBI auction shall include:
 - 1) quantity bid, for auction using the fixed rate tender method; or
 - 2) quantity and discount rate bid, for auction using the variable rate tender method,for each tenure of SBI to be issued.
- e. The quantity bid submitted by OMO Participants shall be for at least 1.000 (one thousand) units or in the amount of Rp1,000,000,000.00 (one billion rupiah) and more with a multiple of 100 (one hundred) units or in the amount of Rp100,000,000.00 (one hundred million rupiah).
- f. In the event that the SBI auction is conducted by using the variable rate tender method, each discount rate bid shall be submitted with a multiple of 0.01% (one per ten thousand).
- g. OMO Participants and Intermediaries shall be responsible for the correctness of data of SBI bid submitted to Bank Indonesia.

- h. OMO Participants and Intermediaries shall be prohibited from canceling bids which have been submitted to Bank Indonesia.
- 6. Determination of SBI Auction Winner
 - a. In the event that the SBI auction is conducted by using the fixed rate tender method, the determination of quantity of SBI won shall be calculated in the following manner:
 - 1) All quantity bids submitted by OMO Participants shall be declared as winners.
 - 2) If necessary, the quantity bid submitted by an OMO Participant can be as a winner partially based on a proportional calculation by rounding up to the smallest nominal value of SBI in the amount of Rp1,000,000.00 (one million rupiah).
 - b. In the event that the SBI auction is conducted by using the variable rate tender method, the quantity of SBI won shall be calculated in the following manner:
 - 1) Bank Indonesia shall stipulate the highest acceptable discount rate or the Stop Out Rate (SOR); and
 - 2) Bank Indonesia shall stipulate the quantity of SBI won in the following manner:
 - a) in the event that the discount rate proposed by an OMO Participant is lower than the stipulated SOR, the relevant OMO Participant shall win all SBIs proposed; and

- b) in the event that the discount rate proposed by an OMO Participant is equal to the stipulated SOR, the relevant OMO Participant shall win all or a portion of the SBI proposed, in the amount of the result of the proportional calculation by rounding up the smallest amount of SBI in the amount of Rp1,000,000.00 (one million rupiah).

Examples of the stipulation and calculation of quantity of SBI auction winner based on fixed rate tender method and variable rate tender method are presented in Appendix 3a and Appendix 3b.

- c. Bank Indonesia may determine that there is no SBI auction winner.

7. Announcement of SBI Auction Results

Bank Indonesia shall announce the SBI auction winner after the window time is closed, by no later than 16.00 Western Indonesia Time (WIB), as follows:

- a. individually to the auction winner through the BI-SSSS, among other things in the form of nominal value, discount rate and SBI cash value won; and
- b. comprehensively through the BI-SSSS, LHBU-system and/or other facilities, among other things in the form of nominal

value of all incoming bids, bid rate range, weighed average of SBI discount rate and the nominal value won.

8. SBI Auction Settlement

a. Settlement of SBI Auction Results

- 1) Bank Indonesia shall conduct the settlement of the SBI auction result by no later than 1 (one) business day after the announcement of SBI auction result.
- 2) The relevant OMO Participants must have sufficient funds in the Demand Deposit Account for the settlement of SBI auction results.
- 3) Bank Indonesia shall settle the SBI auction results funds by debiting the Demand Deposit Account in the amount of the cash value of SBI and settle the Securities by crediting the Securities Account in the nominal value of SBI.
- 4) The SBI cash value as referred to in point 3) shall be calculated by using the following formula:

$$\frac{\text{SBI}}{\text{Cash Value}} = \frac{\text{Nominal Value} \times 360}{360 + (\text{Discount Rate} \times \text{Tenure})}$$

Notes:

Nominal value= nominal value of SBI won.

Discount rate = discount rate won.

Tenure = number of days calculated as from 1 (one) day after the SBI auction settlement up to the maturity date.

- 5) The Settlement of funds as referred to in point 3) shall be conducted in a consolidated manner for each auction winner and the settlement of Securities as referred to in point 3) shall be conducted per transaction (gross to gross).
- 6) The Settlement of funds resulting from SBI auction shall be conducted per auction (auction number).
- 7) In the event that the funds in the Demand Deposit Account are insufficient to cover the settlement obligations up to the cut-off warning of the BI-RTGS system, so as to cause failure in the SBI auction settlement, the BI-SSSS will automatically cancel the SBI auction transaction won by the relevant OMO Participant.
- 8) Following the cancellation of the SBI auction transaction as referred to in point 7), the OMO Participant shall be subject to sanctions as referred to in the Bank Indonesia Regulation on Monetary Operations.

b. The Settlement of SBI Redemption

- 1) On the SBI maturity date, Bank Indonesia shall pay off the matured SBI based on the record of SBI holding recorded in the BI-SSSS 1 (one) business day prior to the SBI maturity date.

- 2) In the event that after the transaction takes place, the SBI maturity date is stipulated as a holiday by the government, the settlement of SBI redemption shall be conducted on the subsequent business day without calculating the additional discount for the intended holiday.
 - 3) Bank Indonesia shall settle the SBI by:
 - a) crediting the Demand Deposit Account of SBI holder in the nominal value of the matured SBI; and
 - b) debiting the Securities Account of SBI holder in the nominal value of the matured SBI.
9. The limitation of SBI Transaction for 1 (one) month of the SBI Holding (Minimum One Month Holding Period)
- a. Provisions
 - 1) During 1 (one) month-tenure, namely 28 (twenty-eight) days as from the settlement of purchase, the SBI holder shall be prohibited from conducting any transaction of the SBI held with any other party.
 - 2) The prohibited SBI transaction as referred to in point 1) shall cover, among other things, repo transaction, outright transaction, grant and pledge transactions.

- 3) The provision as referred to in point 1), shall not apply to SBI transactions by OMO Participants with Bank Indonesia.
- 4) The Sub-Registry must conduct the administration of SBI held by its customers by fulfilling the provision as referred to in point 1).

b. Transitional Provisions

SBI transactions conducted after the coming into effect of this Circular Letter shall constitute a portion of the transaction which has been conducted before the application of this Circular Letter, and shall be excluded from the provision as referred to in point 9.a.1) until the maturity of the transaction. The intended transaction includes, among other things, a repo transaction.

c. Supervision

- 1) Bank Indonesia shall conduct direct monitoring and/or supervision of the implementation of the provision as referred to in point a by OMO Participants and the Sub-Registry.
- 2) In the event of any indication of violation of the provisions in point a.1) and/or point a.4), Bank Indonesia shall deliver a letter of confirmation request to the OMO Participants and/or the Sub-Registry.

- 3) The OMO Participants and/or the Sub-Registry receiving a confirmation request letter as referred to in point 2) must give their response in writing to Bank Indonesia by no later than 3 (three) business days after the receipt of the confirmation letter from Bank Indonesia.
- 4) In the event that up to the time limit as referred to in point 3) the OMO Participants and/or the Sub-Registry fails to provide their written response, the OMO Participants and/or the Sub-Registry shall be considered to have confirmed such violation indication.
- 5) With respect to the violation as referred to in point a.1) and point a.4) Bank Indonesia shall impose sanctions as referred to in the Bank Indonesia Regulation on Monetary Operations.

III. REPO TRANSACTION ON SECURITIES

1. Repo transaction constitutes an instrument used by Bank Indonesia for rupiah liquidity injection in the money market.
2. Characteristics of a Repo Transaction:
 - a. A Repo Transaction is conducted based on the principle of sell and buyback, namely with the recording of the transfer of ownership on Securities (transfer of ownership).
 - b. A Repo Transaction has minimum tenure of 1 (one) day and maximum tenure of 12 (twelve) months stated in a number of

days, calculated as from 1 (one) day after the settlement date up to the maturity date.

- c. Repo interest shall be calculated by using the simple interest method.
- d. The right to receive the coupon of the Securities subject to repo, during the Repo transaction tenure, shall remain the right of the OMO Participants.

3. Repo Transaction Method

- a. A Repo Transaction shall be conducted by using the auction mechanism through the BI-SSSS.
- b. Auction of Repo transaction shall be implemented as follows:

- 1) fixed rate tender

The repo rate is stipulated by Bank Indonesia; or

- 2) variable rate tender

The repo rate shall be proposed by OMO Participants.

4. Announcement and Implementation of Repo Transaction

- a. A Repo Transaction can be conducted on every business day.
- b. The window time for Repo transaction can be determined as from 08.00 Western Indonesia Time (WIB) up to 16.00 Western Indonesia Time (WIB).
- c. Bank Indonesia shall announce the Repo transaction auction plan by no later than the window time through the BI-SSSS, LHBU system and/or other facilities.

- d. The announcement of Repo transaction auction plan shall include, among other things:
- 1) auction date;
 - 2) tenure;
 - 3) auction method;
 - 4) indicative target (if the auction is conducted by using the variable rate tender method);
 - 5) the repo rate (if the auction is conducted by using the fixed rate tender method);
 - 6) Securities which can be transacted under a repo transaction;
 - 7) haircut;
 - 8) window time; and
 - 9) date and time of settlement.

5. Submission of Bids for Repo Transaction

- a. OMO Participants may submit bids for Repo transaction directly and/or through an Intermediaries.
- b. The Intermediaries shall submit the Repo transaction bids for the interest of OMO Participants.
- c. The OMO Participants, directly and/or through Intermediaries, shall submit the Repo transaction bids to Bank Indonesia through the BI-SSSS within the determined window time.
- d. The bids submitted for Repo transaction shall include:

- 1) Nominal value, type and series of the Securities under the repo, for auction using the fixed rate tender method; or
 - 2) Nominal value, type and series of the Securities under the repo and the repo rate, for auction using the variable rate tender method,
- for each period (tenure) of Repo transaction to be conducted.
- e. The quantity bids submitted by OMO Participants shall be for at least Rp1,000,000,000.00 (one billion rupiah) and more with multiples in the amount of Rp100,000,000.00 (one hundred million rupiah).
 - f. In the event that the auction is conducted by using the variable rate tender method, each repo rate bid shall be submitted with a multiple of 0.01% (one per ten thousandth).
 - g. OMO Participants and Intermediaries shall be responsible for the correctness of data of the Repo transaction bid submitted to Bank Indonesia.
 - h. OMO Participants and Intermediaries shall be prohibited from canceling the bids which have been submitted to Bank Indonesia.
6. Determination of Repo Transaction Winner
- a. In the event that the Repo transaction auction is conducted by using the fixed rate tender method, the quantity of the Repo transaction won shall be calculated in the following manner:

- 1) the quantity bids submitted by OMO Participants shall be declared as winners entirely.
 - 2) If necessary, the quantity bids submitted by OMO Participants can be declared as winners partially based on proportional calculation by rounding up to the smallest nominal value in the amount of Rp1,000,000.00 (one million rupiah).
- b. In the event that the Repo transaction auction is conducted by using the variable rate tender method, the quantity of the Repo transaction won shall be calculated in the following manner:
- 1) Bank Indonesia shall determine the lowest acceptable repo rate (SOR); and
 - 2) Bank Indonesia shall determine the quantity won in the following manner:
 - a) in the event that the repo rate proposed by OMO Participants is higher than the stipulated SOR, the relevant OMO Participants shall win the Repo transaction bid submitted entirely;
 - b) in the event that the repo rate proposed by OMO Participants is equal to the stipulated SOR, the relevant OMO Participants shall win the Repo transaction bid submitted, either entirely or partially, with proportional

calculation by rounding up to the smallest nominal value in the amount of Rp1,000,000.00 (one million rupiah).

Examples of the stipulation and calculation of quantity of Repo transaction winner based on the fixed rate tender method and the variable rate tender method are presented in Appendix 4a up to Appendix 4d.

- c. Bank Indonesia may determine that there is no Repo transaction auction winner.

7. Announcement of Repo Transaction Auction Result

Bank Indonesia shall announce the Repo transaction auction result after the window time is closed, as follows:

- a. individually to the auction winner through the BI-SSSS, among other things in the form of nominal value won and the repo rate; and
- b. comprehensively through the BI-SSSS, LHBUS-system and/or other facilities, among other things in the form of nominal value of all incoming bids, bid rate range, weighed average of the repo rate.

8. Settlement of Repo Transaction

- a. first leg settlement
 - 1) Bank Indonesia shall conduct the first leg settlement by no later than 1 (one) business day after the announcement of the Repo transaction auction result.

- 2) The OMO Participant must have sufficient Securities in the Securities Account for the first leg settlement.
- 3) The first leg settlement shall be conducted through the BI-RTGS System and the BI-SSSS using the Delivery Versus Payment (DVP) mechanism per transaction (gross to gross), as follows:
 - a) Settlement of Securities, by debiting the Securities Account in the nominal value of the Securities transacted under the Repo transaction; and
 - b) Settlement of funds, by crediting the Demand Deposit Account in the value of the first leg settlement.
- 4) The calculation of the first leg settlement shall be as referred to in Bank Indonesia provisions concerning the criteria and requirements for Securities, Participant, and Intermediary in Monetary Operation.
- 5) In the event that the OMO Participant does not have sufficient type and series of Securities in the Securities Account to cover the settlement obligation up to the stipulated time for settlement, causing the failure of the first leg settlement, the BI-SSSS will automatically cancel the Repo transaction not supported by sufficient Securities.

- 6) With the cancellation of the Repo transaction as referred to in point 5), the relevant OMO Participant shall be subject to sanctions as referred to in the Bank Indonesia Regulation concerning Monetary Operations.

b. Second leg settlement

- 1) On the maturity date of the Repo transaction (second leg), the BI-SSSS will automatically conduct the second leg settlement from the opening of the BI-RTGS system up to the cut-off warning of the BI-RTGS system.
- 2) OMO Participants must have sufficient funds in the Demand Deposit Account for the second leg settlement.
- 3) The second leg settlement shall be conducted through the BI-RTGS system and BI-SSSS system using the DVP mechanism per transaction (gross to gross), as follows:
 - a) Settlement of funds, by debiting the Demand Deposit Account in the value of the second leg settlement;
 - b) Settlement of Securities, by crediting the Securities Account in the nominal value of the matured Repo transaction; and

- c) The calculation of the value of the second leg settlement shall be regulated in Bank Indonesia provisions concerning the criteria and requirements for Securities, Participant, and Intermediary in Monetary Operation.
- d) In the event that Bank Indonesia receives the payment of coupon/reward during the Repo transaction tenure, the intended coupon/reward shall reduce the obligation of the OMO Participant in the matured (second leg) Repo transaction, with the following calculation:

$$\begin{array}{rcccl} \text{Second} & & & & \text{Value of} \\ \text{leg} & & & & \text{coupon/reward} \\ \text{settlement} & = & \text{First leg} & + & \text{received by} \\ \text{valued} & & \text{settlement} & + & \text{Bank} \\ & & \text{value} & + & \text{Indonesia} \\ & & & \text{Repo} & \\ & & & \text{Interest} & - \end{array}$$

- e) In the event that Bank Indonesia receives the payment of coupon/rights, the calculation of the repo interest as from the payment date of the coupon/rights shall be based on the value of the first leg settlement less the intended receipt of the coupon.
- 4) In the event that after the Repo transaction occurs, the date of the matured (second leg) Repo transaction is determined as a holiday by the government, the settlement shall be conducted on the subsequent

business day without calculating the additional repo interest for the relevant holiday.

- 5) In the event that the funds in the Demand Deposit Account are insufficient to cover the second leg settlement obligation up to the cut-off warning of the BI-RTGS system, causing the failure of the second leg settlement, the BI-SSSS will automatically cancel the matured (second leg) Repo transaction.

c. Failure of the Second Leg Settlement

In the event that the OMO Participant fails to conduct the second leg settlement, the Securities under the repo shall be treated as follows:

- 1) In the event of Securities in the form of SBI, Bank Indonesia shall settle the SBI before maturity (early redemption).
- 2) In the event of Securities in the form of SBN, the relevant transaction shall be treated as an outright sale transaction by OMO Participants.
- 3) The calculation of the outright transaction settlement and the use of Securities price in the outright transaction shall be as referred to in Bank Indonesia provisions concerning the criteria and requirements for Securities, Participant, and Intermediary in Monetary Operation.

- 4) In the event that the value of the outright transaction:
 - a) is smaller than the second leg settlement obligation, Bank Indonesia shall debit the Demand Deposit Account in the amount of the difference between the second leg settlement obligation and the value of the outright transaction;
 - b) is greater than the value of the second leg settlement obligation, Bank Indonesia shall credit the Demand Deposit Account in the amount of the difference between the value of the second leg settlement obligation and the value of the outright transaction.
- 5) With the cancellation of the matured (second leg) Repo transaction as referred to in point b.5), the OMO Participant shall be subject to sanctions as referred to in the Bank Indonesia Regulation concerning Monetary Operations.

9. Securities Coupon

In the event that Bank Indonesia receives a coupon/rights after the Repo transaction matures (second leg), Bank Indonesia will credit the Demand Deposit Account in the value of the intended coupon/rights on the date of receipt of the coupon/rights.

IV. REVERSE REPO TRANSACTION ON SOVEREIGN SECURITIES

1. A Reverse Repo transaction constitutes an instrument used by Bank Indonesia for the absorption of rupiah liquidity in the money market.
2. Characteristics of Reverse Repo transaction:
 - a. A Reverse Repo transaction is conducted by applying the principle of sell and buyback, namely where there is a recording of the transfer of ownership of SBIs.
 - b. A Reverse Repo transaction has minimum tenure of 1 (one) day and maximum tenure of 12 (twelve) months stated in the number of days calculated as from 1 (one) day after the settlement date up to the maturity date.
 - c. The Reverse Repo interest shall be calculated based on the simple interest method.
 - d. The right to receive the coupon of the Securities under the reverse repo shall, during the Reverse Repo transaction tenure, remain in possession of Bank Indonesia.
3. Reverse Repo Transaction Method
 - a. A Reverse Repo Transaction shall be conducted using the auction mechanism through the BI-SSSS.
 - b. The Reverse Repo transaction auction shall be implemented as follows:
 - 1) fixed rate tender

The reverse repo interest (RR-Rate) is stipulated by Bank Indonesia; or

- 2) variable rate tender

Reverse repo rate (RR-Rate) is proposed by the OMO Participant.

4. Announcement and Implementation of Reverse Repo Transaction

- a. A Reverse Repo Transaction can be conducted on every business day.
- b. The window time of the Reverse Repo transaction can be determined from 08.00 Western Indonesia Time (WIB) up to 16.00 Western Indonesia Time (WIB).
- c. Bank Indonesia shall announce the Reverse Repo transaction auction plan by no later than the window time through the BI-SSSS, LHBUS system and/or other facilities.
- d. The announcement of the Reverse Repo transaction auction plan shall include, among other things:
 - 1) auction date;
 - 2) tenure;
 - 3) auction tenure;
 - 4) indicative target (if the auction is conducted using the variable rate auction method);
 - 5) the RR-Rate (if the auction is conducted using the fixed rate tender method);
 - 6) Securities which can be transacted under a reverse repo transaction;
 - 7) haircut;

- 8) window time; and
- 9) date and time of settlement.

5. Submission of Reverse Repo Transaction Bid

- a. OMO Participants may submit the Reverse Repo transaction bid directly and/or through an Intermediary.
- b. The Intermediary shall submit the Reverse Repo transaction bid for the interest of OMO Participants.
- c. The OMO Participants, directly and/or through an Intermediary, shall submit the Reverse Repo transaction bid to Bank Indonesia through the BI-SSSS within the determined window time.
- d. The submitted Reverse Repo transaction bid shall include:
 - 1) Nominal value, type and series of the Securities under the reverse repo, for the auction using the fixed rate tender method; or
 - 2) Nominal value of the transaction and RR-Rate, for the auction using the variable rate auction method, for each period (tenure) of Reverse Repo transaction to be conducted.
- e. The submission of each quantity bid from OMO Participants shall be at least Rp1,000,000,000.00 (one billion rupiah) and more with multiples in the amount of Rp100,000,000.00 (one hundred million rupiah).

- f. In the event that the auction is conducted using the variable rate tender method, the submission of each RR-Rate bid shall be made with a multiple of 0.01% (one per ten thousand).
 - g. OMO Participants and the Intermediaries shall be responsible for the correctness of data of the Reverse Repo transaction bid submitted to Bank Indonesia.
 - h. OMO Participants and the Intermediaries shall be prohibited from canceling the bid which has been submitted to Bank Indonesia.
- 6. Determination of Reverse Repo Transaction Winner
 - a. In the event that the Reverse Repo transaction auction is conducted using the fixed rate tender method, the quantity determination of the Reverse Repo transaction won shall be calculated in the following manner:
 - 1) the quantity bid submitted by an OMO Participant is won entirely.
 - 2) If necessary, the quantity bid submitted by an OMO Participant can be won in part based on proportional calculation with the rounding of the smallest nominal value in the amount of Rp1,000,000.00 (one million rupiah).
 - b. In the event that the Reverse Repo transaction auction is conducted using the variable rate tender method, the quantity

determination of Reverse Repo transaction won shall be calculated in the following manner:

- 1) Bank Indonesia stipulates the highest acceptable RR-Rate (SOR); and
- 2) Bank Indonesia stipulates the quantity won in the following manner:
 - a) in the event that the RR-Rate proposed by the OMO Participant is lower than the stipulated SOR, the relevant OMO Participant wins all the Reverse Repo transaction bid proposed; and
 - b) in the event that the RR-Rate proposed by the OMO Participant is equal to the stipulated SOR, the relevant OMO Participant wins all or a portion of the Reverse Repo transaction bid proposed, in the amount of the result of proportional calculation with a smallest rounding-up in the amount of Rp1,000,000.00 (one million rupiah).

An example of stipulation and calculation of quantity of Reverse Repo transaction winner based on the fixed rate tender method and the variable rate tender method is presented in Appendix 5a and Appendix 5b.

- c. In the event that Bank Indonesia offers more than 1 (one) series of Securities in the Reverse Repo transaction auction,

Bank Indonesia shall determine the allocation of the series and nominal value of the Securities won by the OMO Participant.

- d. Bank Indonesia may determine that there is no winner in the Reverse Repo transaction auction.

7. Announcement of Reverse Repo Transaction Auction Result

Bank Indonesia shall announce the result of the Reverse Repo transaction auction after the window time is closed, as follows:

- a. individually to the auction winner through the BI-SSSS, among other things in the form of nominal value, RR-Rate, type and series of the Securities won; and
- b. comprehensively through the BI-SSSS, LHBU-system and/or other facilities, among other things in the form of nominal value of all incoming bids, bid rate range, weighed average of RR-Rate.

8. Reverse Repo Transaction Settlement

- a. First leg settlement
 - 1) Bank Indonesia shall conduct the first leg settlement by no later than 1 (one) business day after the announcement of the Reverse Repo transaction auction.
 - 2) The OMO Participant must have sufficient funds in the Demand Deposit Account for the first leg settlement.

- 3) The first leg settlement shall be conducted through the BI-RTGS system and the BI-SSSS using the DVP mechanism per transaction (gross to gross), as follows:
 - a) Settlement of funds, by debiting the Demand Deposit Account in the value of the first leg settlement; and
 - b) Settlement of Securities, by crediting the Securities Account in the nominal value of the Securities won.
- 4) The calculation of the first leg settlement value shall be as referred to in Bank Indonesia provisions concerning the criteria and Securities, Participant, and Intermediary in Monetary Operation.
- 5) In the event that the funds in the Demand Deposit Account are insufficient to cover the settlement obligation up to the cut-off warning of the BI- RTGS system, so as to cause failure in the first leg settlement, the BI- SSSS will automatically cancel the Reverse Repo transaction not supported by sufficient funds.
- 6) With the cancellation of the Reverse Repo transaction as referred to in point 5), the relevant OMO Participant shall be subject to sanctions as referred to in the Bank Indonesia Regulation concerning Monetary Operations.

b. Second leg settlement

- 1) On the maturity date of the Repo transaction (second leg), the BI-SSSS will automatically conduct the second leg settlement from the opening of the BI-RTGS system up to the cut-off warning of the BI-RTGS system.
- 2) The OMO Participant must have sufficient type and series of Securities in the Securities Account for the second leg settlement.
- 3) The second leg settlement shall be conducted through the BI-RTGS system and BI-SSSS system using the DVP mechanism per transaction (gross to gross), as follows:
 - a) Settlement of Securities, by debiting the Securities Account in the nominal value of the matured (second leg) Securities in the Reverse Repo transaction;
 - b) Settlement of funds, by crediting the Demand Deposit Account in the value of the second leg settlement;
 - c) The calculation of the value of the second leg settlement shall be as referred to in Bank Indonesia Regulation concerning the criteria and requirements for Securities, Participant, and Intermediary in Monetary Operation;

- d) In the event that the OMO Participant receives the payment of coupon/rights during the Reverse Repo transaction tenure, the intended coupon/rights shall reduce the obligation of Bank Indonesia in the second leg, with the following calculation:

$$\begin{array}{ccccccc} \text{Second} & & & & & & \text{Value of} \\ \text{leg} & & & & & & \text{coupon/rights} \\ \text{settlement} & = & \text{First leg} & + & \text{Reverse} & - & \text{received by} \\ \text{value} & & \text{settlement} & & \text{Repo} & & \text{OMO} \\ & & \text{value} & & \text{Interest} & & \text{Participant} \end{array}$$

- e) In the event that the OMO Participant receives the payment of coupon/rights, the calculation of the reverse repo interest as from the payment date of the coupon/rights shall be based on the value of the first leg settlement less the intended receipt of the coupon.
- 4) In the event that after the Reverse Repo transaction occurs, the date of the matured (second leg) Reverse Repo transaction shall be determined as a holiday by the government, the settlement shall be conducted on the subsequent business day without calculating the additional reverse repo interest for the relevant holiday.
- 5) In the event that the type and series of Securities in the Securities Account are insufficient to cover the second leg settlement obligation up to the cut-off warning of

the BI-RTGS System, causing the failure of the second leg settlement, the BI-SSSS will automatically cancel the matured (second leg) Reverse Repo transaction.

c. Failure of the Second Leg Settlement

- 1) In the event that the OMO Participant fails to conduct the second leg settlement, the Reverse Repo transaction shall be treated as an outright purchase transaction by the OMO Participant.
- 2) The calculation of the outright transaction settlement and the use of Securities price in the outright transaction shall be regulated in Bank Indonesia provisions concerning the criteria and requirements for Securities, Participant, and Intermediary in Monetary Operation.
- 3) In the event that the value of the outright transaction:
 - a) is greater than the value of Bank Indonesia's liability in the second leg settlement after reduced by the reverse repo interest, Bank Indonesia shall debit the Demand Deposit Account in the amount of the difference between the value of the second leg settlement obligation and the value of the outright transaction; or

- b) smaller than the value of Bank Indonesia's obligation in the second leg transaction after reduced by the reverse repo interest, Bank Indonesia shall credit the Demand Deposit Account in the amount of the difference between the value of the second leg settlement liability and the value of the outright transaction in a maximum amount of the haircut value.
- 4) Bank Indonesia shall debit the Demand Deposit Account in the amount of the haircut value of the Securities subject to reverse repo.
- 5) Due to the failure of the second leg settlement, the OMO Participant will not receive the reverse repo interest.
- 6) Due to the cancellation of the matured (second leg) Reverse Repo transaction as referred to in point b.5), the OMO Participant shall be subject to sanctions as referred to in the Bank Indonesia Regulation concerning Monetary Operations.

9. Securities Coupon

In the event that the OMO Participant receives the payment of coupon/rights after the maturity of the Reverse Repo transaction (second leg), Bank Indonesia will debit the Demand Deposit Account

in the amount of the value of the intended on the date of receipt of the coupon/rights.

V. OUTRIGHT PURCHASE AND SALE OF SBN FROM BANK INDONESIA IN THE SECONDARY MARKET

1. The outright purchase and sale of SBN from Bank Indonesia on the secondary market are conducted in the context of:
 - a. injection of liquidity by the purchase of SBN; and
 - b. absorption of liquidity by the sale of SBN.
2. Bank Indonesia shall conduct the outright SBN purchase and sale transaction using tender or non-tender mechanism.
3. Bank Indonesia may conduct the outright SBN purchase and sale in the secondary market on every business day.
4. Outright SBN purchase and sale transaction using the auction mechanism
 - a. Transaction Method
 - 1) Bank Indonesia shall conduct the auction of the SBN purchase and sale transaction through the BI-SSSS or through other facilities.
 - 2) The auction mechanism shall be conducted using the following method:
 - a) fixed rate tender

The yield or price of the SBN purchase and sale transaction shall be determined by Bank Indonesia; or

- b) variable rate tender

The yield or price of the SBN purchase and sale transaction shall be proposed by the OMO Participant.

b. Announcement and Implementation of Auction

- 1) The window time of the SBN purchase and sale transaction can be determined between 08.00 Western Indonesia Time (WIB) and 16.00 Western Indonesia Time (WIB).
- 2) Bank Indonesia shall announce the SBN purchase and sale transaction auction plan by no later than the window time, through the BI-SSSS, the LHBU system and/or other facilities.
- 3) The announcement of the SBN purchase and sale auction plan shall include, among other things:
 - a) auction date;
 - b) window time;
 - c) indicative target (if the auction is conducted using the variable rate tender method);
 - d) yield or price of SBN (if the auction is conducted using the fixed rate tender method);

- e) SBN to be transacted; and
- f) date and time of settlement.

c. Submission of Bid

- 1) OMO Participants may submit the SBN purchase and sale auction bid directly and/or through an Intermediary.
- 2) The Intermediaries shall submit the SBN purchase and sale auction bid for the interest of OMO Participants.
- 3) OMO Participants shall, directly and/or through an Intermediary, submit the SBN purchase and sale auction bid to Bank Indonesia through BI- SSSS at the determined window time.
- 4) The submission of the SBN purchase and sale auction bid shall cover, among other things:
 - a) transaction quantity, for auctions using the fixed rate tender method;
 - b) transaction quantity and yield or SBN price, for auctions using the variable rate tender method.
- 5) The submission of quantity bid from OMO Participants shall be at least 1,000 (one thousand) units or in the amount of Rp1,000,000,000.00 (one billion rupiah) and more with a multiple of 100 (one hundred) units or in the amount of Rp100,000,000.00 (one hundred million rupiah).

- 6) In the event that the SBN sale and purchase transaction is conducted using the variable rate tender method, the yield bid shall be made with a multiple of 0.01% (one per ten thousand).
- 7) OMO Participants and the Intermediaries shall be responsible for the correctness of data of SBN sale and purchase bid submitted to Bank Indonesia.
- 8) OMO Participants and the Intermediaries shall be prohibited from canceling the bid which has been submitted to Bank Indonesia.

d. Determination of Auction Winner

- 1) In the event that the SBN sale and purchase auction is conducted using the fixed rate tender method, the quantity determination of the SBN sale and purchase won shall be calculated in the following manner:
 - a) the quantity bid submitted by an OMO Participant is won entirely.
 - b) If necessary, the quantity bid submitted by an OMO Participant can be won in part based on proportional calculation with the rounding of the smallest nominal value of SBN in the amount of Rp1,000,000.00 (one million rupiah).

2) In the event that the SBN sale and purchase auction is conducted using the variable rate tender method, Bank Indonesia shall stipulate the acceptable yield rate (SOR) or the acceptable price, and the quantity won shall be calculated in the following manner:

a) SBN purchase auction

(1) in the event that the yield proposed by the OMO Participant is higher than the SOR or the price proposed by the OMO Participant is lower than the acceptable price, the OMO Participant wins the entire quantity proposed.

(2) in the event the yield proposed by the OMO Participant is equal to the SOR or the price proposed by the OMO Participant is equal to the acceptable price, the OMO Participant can win the entire or a portion of quantity bid proposed based on proportional calculation with the rounding of the nominal value of the smallest SBN unit in the amount of Rp1,000,000.00 (one million rupiah).

b) SBN sale auction

(1) in the event that the yield proposed by the OMO Participant is lower than the SOR or the price proposed by the OMO Participant is higher than the acceptable price, the OMO Participant wins the entire quantity of the SBN proposed; and

(2) in the event that the yield proposed by the OMO Participant is equal to the acceptable price, the OMO Participant can win the entire or a portion of the quantity bid proposed based on proportional calculation with the rounding of the nominal value of the smallest SBN unit in the amount of Rp1,000,000.00 (one million rupiah).

3) Bank Indonesia may determine that there is no winner in the SBN purchase and sale auction.

e. Announcement of SBN Purchase and Sale Auction Result

Bank Indonesia shall announce the SBN sale and purchase auction result after the closing of the window time, as follows:

1) individually to the auction winner through the BI-SSSS, among other things in the form of nominal value and the yield or the price won; and

- 2) comprehensively through the BI-SSSS, LHBUSystem and/or other facilities, among other things in the form of nominal value of all incoming bids, bid rate range and the weighted average of the yield rate.
5. Non-Auction Purchase and Sale of SBN
 - a. SBN purchase and sale is conducted bilaterally between Bank Indonesia and the OMO Participant directly or through an Intermediary.
 - b. The transaction is conducted through the Reuters Monitoring Dealing System (RMDS) or Bloomberg or other facilities.
6. Auction and Non-Auction Purchase and Sale of SBN
 - a. OMO Participants must have sufficient funds in the Demand Deposit Account for the settlement of SBN purchase from Bank Indonesia or have sufficient type and series of SBN in the Securities Account for the settlement of SBN sale to Bank Indonesia.
 - b. The purchase and sale of SBN shall be settled through the BI-RTGS System and BI-SSSS in a DVP manner using the gross to gross transaction.
 - c. Bank Indonesia shall settle the purchase and sale of SBN by no later than 2 (two) business days.

The calculation of the value and settlement of SBN sale and purchase is presented in Appendix 6a up to Appendix 6b.

- d. In the event that the OMO Participant does not have sufficient type and series of SBN in the Securities Account or does not have sufficient funds in the Demand Deposit Account to fulfill the SBN sale and purchase settlement obligation up to the cut-off warning of the BI-RTGS so as to cause failure of the settlement, the BI-SSSS system will automatically cancel the intended SBN purchase and sale transaction.
- e. With the cancellation of the SBN purchase and sale transaction as referred to in point d, the relevant OMO Participant shall be subject to sanctions as referred to in the Bank Indonesia Regulation concerning Monetary Operations.

VI. TERM DEPOSIT

- 1. A Term Deposit transaction is an instrument used by Bank Indonesia for rupiah liquidity absorption on the money market.
- 2. Characteristics of Term Deposit Transaction:
 - a. A Term Deposit transaction has minimum tenure of 1 (one) day and maximum tenure of 12 (twelve) months stated in a number of days calculated from 1 (one) day after the settlement date up to the maturity date.
 - b. A Term Deposit transaction is conducted without the issuance of Securities.
 - c. The Term Deposit value is calculated based on a true discount with the following formula:

$$\text{Cash Value} = \frac{\text{Nominal Value} \times 360}{360 + (\text{Discount} \times \text{Tenure})}$$

Discount value = Term Deposit nominal value – Cash value

- d. Bank Indonesia shall administer the recording of the Term Deposit transaction in the BI-SSSS.
 - e. The Term Deposit can be disbursed before the maturity date (early redemption) entirely or in part.
3. Term Deposit Transaction Method
- a. A Term Deposit transaction is conducted by auction mechanism through the BI-SSSS.
 - b. The Term Deposit transaction is conducted using the following method:
 - 1) fixed rate tender

The discount rate of the Term Deposit transaction is stipulated by Bank Indonesia; or
 - 2) variable rate tender

The discount rate of the Term Deposit transaction is proposed by OMO Participants.
4. Announcement and Implementation of Term Deposit Transaction
- a. Bank Indonesia may conduct the Term Deposit transaction on every business day.
 - b. The Window time of the Term Deposit transaction can be determined from 08.00 Western Indonesia Time (WIB) up to 16.00 Western Indonesia Time (WIB).

- c. Bank Indonesia announces the Term Deposit transaction auction plan by no later than before the window time through the BI-SSSS, LHBUS System, and/or other facilities.
 - d. The announcement of the Term Deposit transaction plan shall include, among other things:
 - 1) auction date;
 - 2) tenure;
 - 3) auction method;
 - 4) indicative target (if the Term Deposit transaction auction is conducted using the variable rate tender method);
 - 5) discount rate (if the Term Deposit transaction auction is conducted using the fixed rate tender method);
 - 6) window time; and
 - 7) date and time of settlement.
5. Submission of Term Deposit Transaction Bid
- a. OMO Participants may submit the Term Deposit transaction bid directly and/or through an Intermediary.
 - b. The Intermediaries shall submit the Term Deposit transaction bid for the interest of OMO Participants.
 - c. OMO Participants shall, directly and/or indirectly through an Intermediaries, submit the Term Deposit transaction bid to Bank Indonesia through the BI-SSSS at the determined window time.

- d. The submission of the Term Deposit transaction bid shall cover:
 - 1) quantity bid, for auction using the fixed rate tender method; or
 - 2) quantity and discount rate bid, for the auction using the variable rate tender,for each period (tenure) of Term Deposit transaction to be conducted.
 - e. The submission of each quantity bid from OMO Participants shall be at least Rp1,000,000,000.00 (one billion rupiah) and more with a multiple of Rp100,000,000.00 (one hundred million rupiah).
 - f. In the event that the Term Deposit transaction auction is conducted using the variable tender method, the submission of each discount rate bid shall be made with a multiple of 0.01% (one per ten thousand).
 - g. OMO Participants and the Intermediaries shall be responsible for the correctness of data of the term deposit bid submitted to Bank Indonesia.
 - h. OMO Participants and the Intermediaries shall be prohibited from canceling the bid which has been submitted to Bank Indonesia.
6. Determination of Term Deposit transaction Auction Winner

- a. In the event that the Term Deposit transaction is conducted using the fixed rate tender method, the quantity determination of the Term Deposit transaction won shall be calculated in the following manner:
- 1) the quantity bid submitted by an OMO Participant is won entirely.
 - 2) If necessary, the quantity bid submitted by an OMO Participant can be won in part based on proportional calculation with the rounding of the smallest nominal value of SBI in the amount of Rp1,000,000.00 (one million rupiah).
- b. In the event that the Term Deposit transaction Term Deposit transaction is conducted using the variable rate tender method, the quantity determination of the Term Deposit transaction won shall be calculated in the following manner:
- 1) Bank Indonesia stipulates the highest acceptable discount rate of the Term Deposit transaction (SOR);
and
 - 2) Bank Indonesia stipulates the quantity won in the following manner:
 - a) in the event that the discount rate proposed by the OMO Participant is lower than the stipulated SOR, the relevant OMO Participant

wins the entire Term Deposit transaction proposed; and

- b) in the event that the discount rate proposed by the OMO Participant is equal to the stipulated SOR, the relevant OMO Participant wins all or a portion of the transaction bid proposed based on proportional calculation with the rounding of the smallest nominal value of Rp1,000,000.00 (one million rupiah).

An example of quantity stipulation and calculation for the Term Deposit transaction auction winner is presented in Appendix 3a and Appendix 3b.

- c. Bank Indonesia may determine that there is no Term Deposit transaction auction winner.

7. Announcement of the Term Deposit transaction Auction Result

Bank Indonesia shall announce the Term Deposit transaction auction result after the window time is closed, as follows:

- a. individually to the auction winner through the BI-SSSS, among other things in the form of nominal value and the discount rate won; and
- b. comprehensively through the BI-SSSS, LHBUS-system and/or other facilities, among other things in the form of nominal value of all incoming bids, bid rate range, weighted average of Term Deposit discount rate.

8. Term Deposit transaction settlement

a. Settlement of Term Deposit transaction auction

- 1) Bank Indonesia shall settle the Term Deposit transaction auction by no later than 1(one) business day after the announcement of the Term Deposit transaction auction result.
- 2) The OMO Participant must have sufficient funds in the Demand Deposit Account for fulfilling the Term Deposit transaction settlement obligation.
- 3) The Term Deposit transaction funds shall be settled in a consolidated manner for every OMO Participant by debiting the Demand Deposit Account in the total amount of the cash value of the Term Deposit per auction (auction number).
- 4) The Term Deposit value as referred to in point 3) shall be calculated based on true discount with the following formula:

$$\text{Cash Value} = \frac{\text{Term Deposit Nominal Value} \times 360}{360 + (\text{Discount Rate} \times \text{Tenure})}$$

Discount value = nominal value – cash value

Description:

Term Deposit

Nominal Value = Term Deposit Nominal Value won
from auction result.

Discount Rate = Discount rate won from auction result.

Tenure = Number of days calculated from 1 (one) day after the auction settlement date up to the maturity date of the Term Deposit transaction.

- 5) In the event that the funds in the Demand Deposit Account are insufficient for fulfilling the Term Deposit transaction settlement obligation up to the determined settlement time, causing the failure of the settlement, the BI-SSSS will automatically cancel the Term Deposit transaction of the relevant OMO Participant.
- 6) With the cancellation of the Term Deposit Transaction as referred to in point 5), the OMO Participant shall be subject to sanctions as referred to in the Bank Indonesia Regulation on Monetary Operations.

b. Settlement of Matured Term Deposit Transaction

- 1) On the maturity date of the Term Deposit Transaction, Bank Indonesia shall made redemption of the matured Term Deposit automatically through the BI-SSSS in the nominal value of the Term Deposit be crediting the Demand Deposit Account.

- 2) In the event that after the Term Deposit Transaction, the maturity date of the Term Deposit Transaction is stipulated as a holiday by the government, the settlement of the relevant shall be implemented on the subsequent business day without calculating the additional discount for the intended holiday.

9. Early Redemption of Term Deposit Transactions

a. Requirements

- 1) Early Redemption may only be conducted on the Term Deposit with minimum tenure of 1 (one) month at the time of issuance.
- 2) Early Redemption may only be conducted if the relevant OMO Participant does not have any Securities recorded in the Securities Account.

b. Submission of Early Redemption

- 1) OMO Participant may submit the early redemption from 15.00 up to 17.00 Western Indonesia Time (WIB).
- 2) The nominal value of each submission shall be at least Rp1,000,000,000.00 (one billion rupiah) and more with a multiple of Rp100,000,000.00 (one hundred million rupiah).
- 3) The submission shall be conducted through the Reuters Monitoring Dealing System (RMDS) or through the

telephone confirmed by facsimile to the Monetary
Operation Bureau-Monetary Management Directorate.

c. Early Redemption Settlement

Bank Indonesia shall conduct the settlement on the date of
early redemption submission (same day settlement)
immediately after the pre cut-off of the BI- RTGS System.

d. Calculation of Early Redemption Value

The Early Redemption cash value is calculated as follows:

$$\text{Early Redemption Cash Value} = \frac{\text{Term Deposit Nominal Value under early redeem} \times 360 \text{ days}}{360 \text{ days} + \left(\frac{\text{Term Deposit Discount}}{\text{RRT at the time of issuance}} \times \text{Remaining Tenure} \right)}$$

$$\text{Cost} = \frac{\text{Term Deposit Nominal Value under early redemption}}{\text{Repo rate Lending Facility}} \times \frac{\text{Remaining Tenure}}{360}$$

$$\text{Early Redemption Settlement Value} = \frac{\text{Early Redemdion Cash Value}}{\text{Cash Value}} - \text{Cost}$$

Description:

$$\text{RRT} = \text{weighted average}$$

VII. SANCTION IMPOSITION PROCEDURES

1. Sanctions for the Cancellation of OMO Transactions

- a. In the event that an OMO Participant fails to fulfill the
obligation at the time of settlement resulting in the
cancellation of the OMO transaction, the OMO Participant
shall be subject to sanctions in the form of:

- 1) a written reprimand with copies to:
 - a) The related Bank Supervision Directorate, in the event of sanctions imposed on Banks having their head offices within the working territory of Bank Indonesia Head Office (KPBI); or
 - b) The Supervisory Team for Indonesian Bank Regional Office (KBI), in the event of sanctions imposed on Banks having their head offices within the working territory of KBI; and
 - 2) a financial penalty of 0.01% (one per ten thousandth) of the nominal value of the OMO transaction being declared null, in the minimum amount of Rp10,000,000.00 (ten million rupiah) and in a maximum amount of Rp100,000,000.00 (one hundred million rupiah).
- b. The written reprimand as referred to in item a.1) shall be delivered 1 (one) business day after the occurrence of transaction cancellation.
 - c. The financial penalty as referred to in item a.2) shall be imposed by debiting the relevant Demand Deposit Account in 1 (one) business day after the occurrence of the transaction cancellation.

- d. With the cancellation of the Monetary Operation transaction which includes Open Market Operation transaction and Standing Facilities transaction for the third time during 6 (six)-tenure, the OMO Participant shall also be subject to temporary suspension of its participation in Monetary Operations activities, in addition to the sanction as referred to in point a, for 5 (five) consecutive business days
- e. The temporary suspension sanction of participation in Monetary Operations activities as referred to in point d shall be applied as from 1 (one) business day after the occurrence of transaction cancellation.
- f. In the event that there are cancellations for more than 3 (three) times of the Monetary Operation transaction within 1 (one) day, the imposition of temporary suspension as referred to in point d shall only take account of 3 (three) cancellations.

An example of the imposition of the sanction of cancellation of monetary operation transaction is presented in Appendix 7.

- 2. The Violation of the Obligation of Minimum One Month Holding Period of SBI for Banks and/or Sub-Registry which does not fulfill the provision on the obligation as referred to in point II.9 shall be subject to the following sanctions:

- a. A written reprimand with copies to:
 - 1) The related Bank Supervision Directorate, in the event of sanctions imposed on Banks having their head

offices within the working territory of Bank Indonesia Head Office (KPBI); or

- 2) The Supervisory Team for Indonesian Bank Regional Office (KBI), in the event of sanctions imposed on Banks having their head offices within the working territory of KBI.
 - 3) The Capital Market and Financial Institutions Supervisory Board in the event of sanctions imposed on the Sub-Registry.
- b. a financial penalty of 0.01% (one per ten thousandth) of the nominal value of the SBI transaction which does not fulfill the intended provision, in the minimum amount of Rp10,000,000.00 (ten million rupiah) and a maximum amount of Rp100,000,000.00 (one hundred million rupiah) per day.
 - c. The written reprimand as referred to in item 2.a shall be delivered 1 (one) business day after the lapse of the time limit for the submission of response as referred to in item II.9.c.3).
 - d. The financial penalty as referred to in item 2.b shall be imposed by debiting the relevant Demand Deposit Account and/or the Sub-Registry Demand Deposit Account.

VIII. CLOSING PROVISIONS

With the coming into effect of this Bank Indonesia Circular Letter:

1. Bank Indonesia Circular Letter Number 6/21/DPM dated April 26, 2004 concerning the Procedures for the Purchase and/or Sale of Sovereign Debt Securities by Bank Indonesia in the Secondary Market in the context of Open Market Operation;
2. Bank Indonesia Circular Letter Number 8/1/DPM dated January 27, 2006 concerning the Amendment to Bank Indonesia Circular Letter Number 6/21/DPM dated April 26, 2004 concerning the Procedures for the Purchase and/or Sale of Sovereign Debt Securities by Bank Indonesia in the Secondary Market in the context of Open Market Operation; and
3. Bank Indonesia Circular Letter Number 10/22/DPM dated July 7, 2008 concerning the Second Amendment to Bank Indonesia Circular Letter Number 6/21/DPM dated April 26, 2004 concerning the Procedures for the Purchase and/or Sale of Sovereign Debt Securities by Bank Indonesia in the Secondary Market in the context of Open Market Operation;
4. Bank Indonesia Circular Letter Number 7/1/DPM dated January 3, 2005 concerning the Implementation of Fine Tune Operation Transactions in the Context of Open Market Operation;
5. Bank Indonesia Circular Letter Number 9/5/DPM dated March 26, 2007 concerning the Amendment to Bank Indonesia Circular Letter Number 7/1/DPM dated January 3, 2005 concerning the Implementation of Fine Tune Operation Transactions in the Context of Open Market Operation;

6. Bank Indonesia Circular Letter Number 10/23/DPM dated July 14, 2008 concerning the Second Amendment to Bank Indonesia Circular Letter Number 7/1/DPM dated January 3, 2005 concerning the Implementation of Fine Tune Operation Transactions in the Context of Open Market Operation;
7. Bank Indonesia Circular Letter Number 10/30/DPM dated September 23, 2008 concerning the Third Amendment to Bank Indonesia Circular Letter Number 7/1/DPM dated January 3, 2005 concerning the Implementation of Fine Tune Operation Transactions in the Context of Open Market Operations;
8. Bank Indonesia Circular Letter Number 8/13/DPM dated May 1, 2006 concerning the Issuance of Bank Indonesia Certificates through Auction;
9. Bank Indonesia Circular Letter Number 10/1/DPM dated January 25, 2008 concerning the Amendment to Bank Indonesia Circular Letter Number 8/13/DPM dated May 1, 2006 concerning the Issuance of Bank Indonesia Certificates through Auction;
10. Bank Indonesia Circular Letter Number 10/28/DPM dated September 1, 2008 concerning the Second Amendment to Bank Indonesia Circular Letter Number 8/13/DPM dated May 1, 2006 concerning the Issuance of Bank Indonesia Certificates through Auction;
11. Bank Indonesia Circular Letter Number 10/37/DPM dated 13 November 2008 concerning Reverse Repo transaction with Bank Indonesia in the Context of Open Market Operation;

shall be revoked and declared null and void.

The provisions in this Bank Indonesia Circular Letter shall be effective on July 7, 2010.

For public cognizance, it is ordered that this Bank Indonesia Circular Letter be promulgated in the State Report of the Republic of Indonesia.

Please be informed accordingly.

BANK INDONESIA,

HENDAR

DIRECTOR OF MONETARY MANAGEMENT